

## ***Section 4***



# **PUBLIC FUNDING AND INVESTMENT IN THE ARTS AT THE LOCAL LEVEL IN CALIFORNIA**

**ARTS MASTER PLAN - DRAFT**



## **PUBLIC FUNDING AND INVESTMENT IN THE ARTS**

The significant economic impact of the arts challenges the perception that the arts are only worthy of support in prosperous times, but hard to justify when the economy is struggling. According to the 2002 report *Economic Impact of the Nonprofit Arts Industry in California*, by the California Arts Council, during fiscal year 2001-2002 expenditures by nonprofit arts and culture organizations generated \$18.2 million in tax revenue in California; \$7.6 million for local government and \$10.6 million for state government. Furthermore, nonprofit arts and culture organizations attracted and leveraged an additional \$25.2 million in contributed income from other public and private resources.

Other reports on the economic impact of the nonprofit arts and culture industry in various California communities have demonstrated that investing in this industry does not come at the expense of economic benefits, but rather strengthens the economy and fuels economic revitalization by supporting local jobs, stimulating consumer spending, and generating revenue to local governments. In short, arts and culture are good for business and the local economy.

Dr. Richard Florida, the Hirst Professor of Public Policy at George Mason University and a Senior Fellow at the Brookings Institution, stated in his 2002 best-selling book, *The Rise of the Creative Class and How It's Transforming Work, Leisure, Community and Everyday Life*, "The bottom line is that cities need a people climate even more today that they need a business climate. This means supporting creativity across the board--in all of its various facets and dimensions--and building a community that is attractive to creative people, not just to high-tech companies. As former Seattle mayor Paul Schell once said, success lies in '...creating a place where the creative experience can flourish.' Instead of subsidizing companies, stadiums and retail centers, communities need to be open to diversity and invest in the kinds of lifestyle options and amenities people really want. In fact, you cannot be a thriving high-tech center if you don't do this."

Dr. Florida goes on to state, "We can, of course, do much better than this [older models of development]. To do so, we need to shift both public and private funds away from investments in physical capital and toward investment in creative capital." San Francisco, San Diego, Los Angeles, and Sacramento, are among the leading areas in the country. Dr. Florida also warns, however, that we cannot rest on our laurels, that the creative environment must be nurtured through public investment. Naturally the arts, along with science, are at the forefront in building creative capital. Florida concludes that "The creative places of the future will be places that draw creative people and that promote creative activities."

Throughout California, local communities demonstrate their priorities and values by the programs and services they support with public funds. Investments in the arts provide public benefits that have consistently proven to be deserving of community investment. The arts create access to and facilitate participation in the life of the community. They promote diversity and understanding among different cultures and broaden educational opportunities for people of all ages.

Investments in the arts have proven to be fiscally advantageous for many California communities. Local cultural amenities and public art installations attract tourists and visitors who spend more and stay longer in the “arts rich” communities they visit.

➤ *Impact of Cultural Tourism*

Cultural tourism is travel motivated entirely, or in part, to experience the arts, heritage, natural resources and special character of a place. It is the fastest growing sector of the travel industry. Cultural tourism attracts travelers who are better educated, more affluent, and have higher expectations for experiences that are both enjoyable and educational. This travel niche is important because cultural tourists not only help preserve and sustain a city’s culture and heritage, but they contribute to the city’s overall economic vitality.

For example, according to the Travel Industry Association's most recent 2003 study, historic/cultural travelers spend 38% more per trip (average \$623 vs. \$457, excluding cost of transportation) and stay 38% longer away from home as do other travelers. Thirty percent of historic/cultural travelers say they were influenced to visit given destinations by specific historic or cultural events and/or activities. The contributions of travelers to cultural and heritage resources help supplement the financial capabilities of local governments and economies.

The arts are proven to be a significant draw for visitors. Visitors spend money in connection with their attendance at arts events in restaurants, at retail shops, hotels, for gas and travel, and for parking. These expenditures are often a key to regional economic development, drawing income into the local economy.

Developing a successful strategy to attract cultural tourists to Chula Vista and ultimately to its arts and culture attractions and traditions will require a concerted effort of planning, partnership development, and most importantly, investment. It will also entail coordinating the activities of the City, business associations, the tourism industry, and cultural and conservation organizations in order to increase audiences, overnight stays, and tax revenues while protecting local resources and managing growth and development.

➤ *TOT Funding*

Many California city decision makers link revenue streams to expenditures in ways that their communities understand. For example, Transient Occupancy Taxes (TOT) are a common source of measuring support for the arts and promotion of tourism. This mechanism taxes tourists and visitors, in part, for the benefit they gain from the community’s cultural offerings. Taxes on hotel accommodations and car rentals have emerged over the past three decades as a primary means to finance activities that encourage tourists and visitors. Tourism taxes have historically been used for a broad range of services and activities – from operating support for visitors’ bureaus to funding summer concerts and fireworks displays. More recently, they have served as economic development

tools to build tourism infrastructure, including convention centers, sports stadiums, and, more pertinent to this plan, cultural facilities.

California communities differ tremendously in the ways they fund the arts through tourism taxes. An equivalent portion of general fund revenues that are tied to a percent of TOT collections can be dedicated to a specific arts facility or event, forwarded to a local arts agency, disbursed through a re-granting program, and/or paid directly to arts presenters or producers. A common thread is that funded programs and facilities have some connection to local tourism.

In San Diego, the San Diego Commission for Arts and Culture's primary task each year is to allocate nearly \$7.0 million in Transient Occupancy Tax related funds to over 130 arts, culture and community based non-profit organizations that provide programs and services accessible to residents and visitors alike. This is made possible through three distinct funding areas: 1) Organizational Support Program; 2) Festivals and Celebrations Program; and 3) the Neighborhood Arts Program.

San Diego's investment of TOT related funds to the arts provides large economic returns. According to the 2004 Economic and Community Impact Report (ECIR), an annual study prepared each year by the San Diego Commission for Arts and Culture and the San Diego Regional Arts and Culture Coalition, in fiscal year 2004, San Diego's arts and cultural attractions brought at least 1.5 million cultural tourists to the region. These tourists directly contributed \$369 million to the local economy. Arts and culture organizations supported by the Commission provided 4,889 jobs, 1.3 million free admissions to the public, and nearly 3,000 free events.

➤ *Cultural Districts formed through Public/Private Partnerships*

Cultural districts are increasingly used as anchors of attraction for downtown redevelopment. A cultural district is defined as a well-known, labeled, mixed-use area of a city in which a high concentration of cultural facilities serves as the anchor of attraction.

For example, the award-winning Merced Multicultural Arts Center transformed a dilapidated downtown building into a vibrant center for the arts and served as a catalyst for downtown revitalization. It represents a highly successful partnership among the City of Merced (population 69,500), its redevelopment agency, and the Merced County Arts Council.

Berkeley California's Addison Streets Arts District, winner of the 2002 grand prize in the Awards of Excellence competition sponsored by the California Association for Local Economic Development, is the linchpin of that city's downtown revitalization effort. The Berkeley Repertory Theater anchors the District. The District was developed through a collaborative partnership of arts and cultural organizations, developers, and the City. Recent additions to the District include the Berkeley Repertory Theater's new 600-seat Roda Theater, the 150-seat "in-

the-round" Aurora Theater, the nationally recognized Jazz School, the Nevo Education Center, and the unique Brazilian Capoeira Arts Cafe.

The Addison Streetscape Project is one element of the Addison Street Arts District. This public art project celebrates the Arts District, honors Berkeley's poetry heritage and the history of crafts in California, and provides an uplifting focal point for Addison Street and downtown Berkeley.

➤ *Percent for Art Funding*

The percent-for-art model is the most common funding source for public art in California and the United States. Percent-for-art policies set aside a percentage of funds from the construction budgets of public and private capital projects for the acquisition and commissioning of artworks. Specific policies vary greatly [see following table] among more than 70 California cities and counties, but most address three elements: 1) the definition of Capital Improvement Projects (CIP) that are eligible, 2) the percentage of the CIP budget identified for public art, and 3) guidelines for the use of percent-for-art funds.

The CIP eligibility criteria have a great influence on the scope and quality of the public art projects supported. The wide variety of a city's CIP projects can make for an impressive list to consider: office buildings, transit projects, libraries, parks, fire stations, city buildings, etc. A broader definition of eligible CIPs that includes private development greatly expands the scope of a public art program.

Percent for art ordinances vary across California but typically range from 0.5 percent to 2.0 percent. Funds generated support public art project administration and maintenance costs as well. Recently enacted programs have identified 2.0% as the amount needed to provide adequate funding for purchasing artwork, program administration, and ongoing maintenance. Many of California cities' long-term percent for art programs, including those of San Diego, Sacramento, San Francisco, San Jose and Stockton have recently increased to 2.0% to ensure adequate funding.

Successful development of a livable community should include installations of works of public art. Public art works help foster cultural awareness and a sense of place. Currently, much of Chula Vista is filled with broad areas of largely undifferentiated development. Signature public artworks can and will add greatly to the visual quality of the City's neighborhoods.

Chula Vista's Office of Arts & Culture currently collaborates with the Public Art Program of the San Diego Port District in development and placement of public art on Port property within Chula Vista's bay front. Working in cooperation with the Port and with local businesses, the City has seen growth in its public art installations on Port tidelands, most recently with the installation of George Peters and Melanie Walker's *Wind Oars* at Bayside Park, and of James T. Russell's *Hope Within* at the Community Health Group site. The impact of these striking forms in urban landscapes is difficult to measure but they surely play a role in defining a sense of community.

## COMPARISON OF PERCENT FOR ART PROGRAMS IN CALIFORNIA CITIES

City Name	2003 Estimated Population	Percent for Art Policies & Year adopted	Applicable to:	Other information
<b>SAN DIEGO COUNTY</b>				
Carlsbad	87,372	1.0% (1985)	City CIP except sewer & water projects	
Escondido	136,093	Formula (1989)	City CIP: 15¢ per square foot for projects >2,000 square feet	
Oceanside	167,082	1.0% (2000)	City CIP	
San Diego	1,266,753	2.0% (2004)	2.0% City CIP & Redevelopment projects of at least \$250,000. Recently enacted ordinance increase from 1.5% to 2.0%	TOT related funding = approx. \$7.0 million annually for arts support
Solana Beach	12,860	1.5% (2005)	City CIP	
<b>OTHER CALIFORNIA CITIES</b>				
Berkeley	102,049	1.5% (1998)	City CIP	
Beverly Hills	34,941	1.0% (1983)	City & Private CIP	
Brea	37,889	Formula (1975)	City & Private CIP 1.0% for projects >\$500,000	
Burbank	103,359	1.0% (1992)	City & Private CIP	
Chico	67,509	1.0% (1990)	City & Private CIP	TOT funds annual art grants
Claremont	34,964	1.0% (1997)	City CIP	
Davis	64,348	1.0% (1973)	City CIP	
Emeryville	6,882	Formula (1990)	1.5% City CIP; 1.0% private >\$300,000; 0.4% for private >\$2.0 million	
Fremont	204,525	1.0% (1978)	City CIP	
Glendale	200,499	1.5% (2000)	City CIP	
Huntington Beach	194,248	Honor System (1989)	Require public art element in City CIP & private development	
Laguna Beach	24,126	1.0% (1986)	City & Private CIP (Incl. residential if >4 lots)	
Lodi	61,027	1.0% (2000)	City CIP	
Los Angeles	3,819,951	Formula City (1989); Redevelopment Agency (1986)	1.0% City CIP; Redevelopment Agency Commercial = 1.57/sq.ft. Retail = 1.31/sq. ft. Hotel = .52/sq. ft. Manufacturing = 51/sq.ft. Warehouse = .39/sq.ft.	
Mountain View	69,366	1.0% (1991)	City CIP + commercial & industrial projects accessible to public	

## COMPARISON OF PERCENT FOR ART PROGRAMS IN CALIFORNIA CITIES

City Name	2003 Estimated Population	Percent for Art Policies & Year adopted	Applicable to:	Other information
Oakland	398,844	1.5% (1989)	City CIP	
Palm Desert	45,624	Formula (1986)	1.0% for City CIP; 0.5% for commercial; 0.25% for residential	
Palm Springs	45,228	Formula (1988)	Same as Palm Desert	
Palo Alto	57,233	Formula	Arts funding = 50% of General Fund's annual interest earnings	
Pasadena	141,114	1.0% (1988)	City & Private CIP	
Richmond	102,327	Formula (1997)	1.5% City & Redevelopment >\$300K	
Sacramento	445,335	2.0% (1977)	City & Redevelopment CIP	Increased to 2% in 1999
San Francisco (City & County)	751,682	2.0% (1967)	City CIP Increased to 2.0% in 1999	TOT funds = \$28.7 million for annual arts support
San Jose	898,349	2.0% (1984)	City & Private CIP	TOT related funding = \$2.3 million for annual arts grants
San Luis Obispo	44,202	Formula (1990)	1.0% City CIP; 0.5% non-residential private	Also have Municipal Art Fund
Santa Cruz	54,262	2.0% (1999)	City CIP	
Santa Monica	87,162	1.0% (1982)	City CIP	
Sausalito	7,300			TOT related funding = \$1.0 million for annual arts grants
Stockton	271,466	2.0% (2000)	City CIP	
Ventura	105,000	2.0% (1992)	City & Private CIP	